LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7673 | **DATE PREPARED:** Jan 14, 1999
BILL NUMBER: SB 657 | **BILL AMENDED:**

SUBJECT: University bonding authority.

FISCAL ANALYST: Mark Goodpaster
PHONE NUMBER: 232-9852

FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (A) This bill permits state universities and colleges to issue bonds for a project without the approval of the General Assembly if the debt service on the bonds is paid entirely from funds donated to the university or college. (B) This bill also permits state universities and colleges to issue bonds for up to $20 million per campus for qualified energy savings projects. (Current law limits each university or college to $10 million for all of the campuses of the university or college.)

Effective Date: July 1, 1999.

Explanation of State Expenditures: Provision A could reduce the amount of time that universities spend between securing funding and approval and the actual construction of the buildings or acquisition of land. This, in effect, could reduce the costs of these projects if the universities are not delayed in engaging in these projects. Debt would be secured by the pledges that are made to the University. The interest rates paid on the debt will be determined by the nature of the pledges and the length of time that the debt would be issued. The debt limit on these projects would be $15 million.

Provision B would increase the limit on the debt issuance for qualified energy projects from the current $10 million to $20 million. Current law also limits state universities to one project per institution. This provision would permit universities to engage in one project for each campus that is in the university system. Indiana University has seven campuses in its system while Purdue University has four regional campuses.

These projects would still be required to be reviewed by the Commission for Higher Education and approved by the Governor before the project could be started or the land purchased.

Under current law, capital projects must be reviewed by the Commission on Higher Education and approved by the governor if the cost is greater than $200,000. For projects to construct buildings or facilities with a cost greater than $500,000 in value and paid by state appropriated funds or student fees, the project must be reviewed by the Commission on Higher Education and approved by the Governor and the General Assembly. (IC 20-12-5.5-2(a)(1)).

To pay for the costs of capital projects, universities may issue and sell bonds so long as the bonds are supported by mandatory fees that are assessed on all students and approved by the General Assembly. (IC 20-12-5.5-4). The General Assembly may appropriate fee replacement monies for the replacement of students fees dedicated to pay the principal and interest costs of bonds as approved by the General Assembly (IC 20-12-5.5-5).

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Universities.

Local Agencies Affected:

Information Sources: Bob Ruble, Commission for Higher Education; Kevin Green, Purdue University.